

To the Members of the California State Senate:

I am returning Senate Bill 1543 without my signature.

This bill would enact the Life Settlement Consumer Protection Act of 2008. Specifically, this bill would create a regulatory framework for life settlements in California. Life settlements are complex financial transactions in which a life insurance policy owner possessing an unneeded or unwanted life insurance policy sells that policy to a third party for more than the cash value offered by the life insurance company. Life settlements have grown increasingly popular in recent years, especially with older Californians, raising questions of whether adequate regulations are in place to oversee the industry. While life settlement companies are already regulated by the California Department of Financial Institutions, proponents of this measure believe the Department of Insurance should play a greater role in regulating these companies as well.

Although I share the proponents' goal to ensure that life settlement transactions are properly regulated, I cannot sign this measure at this time. The provisions of this bill were amended into it very late in the legislative session. While many of the provisions were agreed to by all the parties involved, some of the provisions are still subject to worthwhile debate. For instance, it is my desire to ensure that life settlement transactions contain proper notification and disclosure to consumers. I am also concerned that the final version of the bill may unfairly exclude some companies from participating in the legitimate life settlement market.

I am asking my staff to convene meetings this fall with all the stakeholders to review the provisions of this bill and consider what, if any, changes are needed to ensure that any regulatory framework put into statute appropriately protects seniors, provides consumers with adequate disclosure, and does not unfairly discriminate against legitimate companies trying to compete in the life settlement business. It is my belief that any outstanding issues can be resolved and we can quickly pass any necessary legislation in 2009.

For these reasons I am returning this bill without my signature.

Sincerely,

Arnold Schwarzenegger

